

ADMINISTRATIVE - INTERNAL USE ONLY

Personnel
02 APR 1968

MEMORANDUM FOR: Mr. Coffey *file*

SUBJECT : Retirement Proposals

1. Attached hereto is Bob Wattles' comments on the proposed retirement incentive amendment to the Foreign Service Act. Yesterday I forwarded to you the optional-trial retirement program that is in effect for both USDA and USIA. While each of these proposals is of interest I do not think that these are structured to serve Agency needs at this time. I would suggest that you hold these in reserve and not circulate them but be prepared to introduce and discuss them if the retirement packet which I sent out yesterday is the subject of a meeting called by the Executive Director. On the proposal that I sent out the cost figures are very discouraging but this could easily be rectified by reducing the percentage of the formula for paying the difference between the annuity received and the salary of the employee at the date of retirement.

2. I do not see that our problem in the Agency warrants our serious consideration of the incentive amendment to the Foreign Service Act. On the other hand, if the proposal for a CIA Reserve is not favorably considered then I think the optional-trial retirement of USDA and USIA would have some merit. can provide you staffing but I suggest that you personally follow these proposals very carefully and be prepared to personally speak to these at any meeting called by the Executive Director.

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R. L. Bannerman

Att: Memo dtd 22 Mar 68 for DD/S
fr D/Pers, subj: Comments on
Proposed Retirement Incentive
Amendments to the Foreign Service
Act

MORI/CDF Pages 3-4

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26 March 1968

NOTE FOR: Mr. Bannerman

As mentioned at today's Noon Meeting, here is Mr. Wattles' response to your request to give you his thoughts on the State Department Incentive Proposal.

I have merely one thought for consideration: The State Department is going for a one shot solution based on BALPA. If we do elect to go for such a one shot program, would we not be closing the door to possible incentives for a long-range continuing program to attract retirees over the long haul. The figures estimated by Mr. Wattles also make me wonder whether this one shot approach is worth the candle.



WRIGHT

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4 March 1968

Director of Personnel

5E56 Headquarters

Bob:

Per our telecon. Please advise
your thoughts and reactions to this
proposal.

STAT

R. nerman

STAT

Deputy Director for Support

7D26 Headquarters

DD/S:RLB:maq

Distribution:

Orig - Adse w/2 cys of "A Bill to amend the Foreign Service Act of 1946 entitled 'Retirement
Incentive"

1 - DD/S Subject w/cy Att

1 - DD/S Chrono

A B I L L

To amend the Foreign Service Act of 1946, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That the following new heading and section be added immediately following section 1112 of title XI of the Foreign Service Act of 1946, as amended:

"RETIREMENT INCENTIVE

"SEC. 1113. (a) Any participant who retires voluntarily under section 636 prior to April 1, 1969 shall have his creditable service increased by the period of time between the date of his separation from the Service and June 30, 1970: Provided, That his total service credit does not exceed 40 years: and Provided further, That the projected service does not extend past the date of his mandatory retirement pursuant to section 631 or 632 or the date he would complete the maximum period during which he would be permitted to remain in the Service under regulations prescribed pursuant to section 633. High-five average salary shall be computed for such a participant as if he performed service at his final salary rate during the period of projected service.

"(b) Amounts equivalent to retirement deductions of 6½ percent of the final salary rate of each former participant who retired and received a benefit under subsection (a) hereof shall be deducted from the annuity of each such former participant. Such deductions shall be made from annuities accruing to the former participant during the period of the projected service credited under subsection (a). All such deductions shall be matched by contributions to the Foreign Service Retirement and Disability Fund from the appropriation used to pay the former participant's final salary. Such matching contributions shall be paid on the first of each month in the same manner as matching contributions paid in accordance with section 811."

Explanation and Justification of a bill
to provide a retirement incentive to
participants in the Foreign Service
Retirement and Disability System

The Foreign Service Retirement and Disability System was designed with the objective of accelerating retirement of more senior officers in the Service in order to bring men to the top while still vigorous and receptive to new ideas. With a Foreign Service officer corps of 1500 men provisions for selection-out and voluntary retirement at age 50 resulted in a satisfactory rate of separation of the more senior officers. Beginning in the mid fifties the Foreign Service officer category was expanded and is now at the 3500 level. With this larger number of Foreign Service officers, the rate of separation, particularly at the senior level, has not kept pace with the expansion.

Approximately one year ago the Department announced a reduction in the number of years a Foreign Service officer may remain in class without promotion before becoming subject to selection-out. This reduction in time-in-class regulations will result in a substantial increase in the number of officers separated from the Service by selection-out this year. However, other means must be devised to effect an

additional number of separations and it is believed that this can be accomplished by the provision of an incentive to Foreign Service personnel to retire voluntarily. The issuance of the President's January 18, 1968 directive calling for a reduction of U. S. overseas personnel provides an appropriate opportunity for the enactment of temporary legislation that will result in accelerated retirement. The accompanying bill would provide such an incentive.

If enacted the measure would permit an officer or employee of the Service who is a participant in the Foreign Service Retirement and Disability System, and who is eligible to retire voluntarily, to do so any time after enactment and before a specified date and receive an annuity on the basis of service credit projected beyond his date of retirement.

The measure is designed so that no benefit will accrue to any officer or employee who dies in Service or who retires because of disability, for age or because of selection-out. The measure will benefit only those who could remain in Service but who choose to retire voluntarily before April 1, 1969.

The bill also provides for a reduction in the annuity of each officer or employee benefited thereunder by an amount equal to a retirement contribution of $6\frac{1}{2}$ percent of the participant's final salary rate. This deduction from annuity would

3

be continued for the duration of the period of the projected service. This amount would be matched and paid into the retirement fund by the Department exactly as if the officer or employee had remained in the Service during the period of the projected service.

COST AND SAVINGS ESTIMATE**Salary Savings**

No. retiring under
incentive plan be-
tween July 1, 1968
and April 1, 1969

Estimated year
this group would
retire without
incentive

Estimated salary
savings resulting
from early
retirement

NumberFY

50	1969
100	1970
75	1971
50	1972
25	1973
<u>300</u>	

\$	0
	2,200,000
	3,500,000
	3,600,000
	<u>2,500,000</u>
Total	\$11,800,000

300

Total

6½% Retirement Contribution Cost

6½% Dept. retirement
contribution for period
of projected service

Paid during FY 1969
Paid during FY 1970

\$245,000
420,000

\$665,000

Terminal Leave Cost

Additional Terminal leave
payments accruing during
FY 1969 for 250 retirees
(50 retiring in FY 1969
not included)

\$2,250,000

Retirement Fund Cost
(not an S&E expense)

Total cost to retirement
fund paid over lifetime
of retirees

\$6,000,000

PROJECTED-SERVICE RETIREMENT INCENTIVE
Service Projected to 6/30/70 for those Retiring by 3/31/69

<u>Class</u>	<u>Ch. of M. Class 2</u>	<u>Career Minister</u>	<u>FSO-1</u>	<u>FSO-2</u>	<u>FSO-3</u>	<u>FSS-3</u>	<u>FSS-6</u>
Salary rate July 1968	\$29,500	\$28,000	\$27,990	\$26,850	\$21,500	\$13,750	\$9,150
Annuity with service projected to 6/30/70	19,700	18,350	18,200	13,900	10,700	8,500	5,700
Percentage increase in annuity with retirement on:							
7/1/68 w/24 mos. projected service	10%	15%	17%	26%	24%	21%	20%
12/31/68 w/18 mos. " "	7	10	11	18	17	15	14
3/31/69 w/15 mos. " "	5	7	8	14	14	12	11
6 1/2% retirement contribution per year for projected period	\$ 1,900	\$ 1,800	\$ 1,800	\$ 1,750	\$ 1,400	\$ 900	\$ 600

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